



Director of
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BRAZIL-LIBYA-CENTRAL AMERICA: Arms Shipments

Four Libyan transports in Brazil have been unloaded and their cargo taken to secure hangars. []

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The Brazilian military began to inspect the cargo of the Libyan aircraft in Recife and Manaus on Saturday, according to press reports. While the Brazilian Government has yet to release an itemized list of the cargo, major Brazilian newspapers said Sunday that US, Soviet, and Czechoslovak arms were found. The press listed the cargo as heavy arms—presumably artillery—rifles, unidentified missiles, and a dismantled “Russian” training plane. Brazilian reporters said the inspection team expressed amazement at the dated nature of the equipment. []

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According to an official Brazilian communique issued Sunday, the transport planes are now free to leave Brazilian territory for any destination. The cargo will be returned at an unspecified later time.

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Comment: The Brazilians apparently have decided to withhold public identification of some of the more significant items and probably will continue to limit press access to the cargo. Some of the arms disclosed Sunday may be part of the Libyan-Nicaraguan arms grant signed in February, but the balance could be partly for use in Nicaragua and partly for possible transshipment to Salvadoran guerrillas. []

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The “Russian” training plane could be a Czechoslovak-built L-39 jet that is used in all Soviet jet training programs. The USSR builds piston-engined trainers and modifies fighter aircraft such as the MIG-19 or MIG-21 for training, but it does not produce a jet trainer. []

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EL SALVADOR: Effective Insurgent Tactic

The recent surrender of a government garrison indicates the insurgent tactic of releasing prisoners unharmed shortly after their capture is eroding the will to fight of many poorly trained units. []

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The 100-man company was attacked by what it reported was a much larger insurgent force. After suffering 15 casualties, the company commander surrendered, claiming his troops were out of ammunition. The guerrillas confiscated all weapons but released the prisoners. []

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A US-trained elite company performed more professionally in an ambush in the northeast a few weeks ago. The number of troops killed in that clash reportedly exceeded those wounded or captured. One soldier was said to have used a hand grenade to kill himself and several of his captors, and many others destroyed their weapons rather than let them be captured. []

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Comment: Guerrillas have been releasing prisoners on a regular basis since last fall, often turning them over to the Red Cross for maximum publicity. The practice allows the insurgents to avoid caring for prisoners, creates a humanitarian image, and gives an impression that they are winning the war. []

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Large numbers of government garrison troops have surrendered in recent months, providing the guerrillas with many modern weapons. More are likely to do so as the word spreads that the insurgents release their prisoners. []

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CHINA-VIETNAM: Border Situation

The Chinese are improving their defenses along the border and apparently hope to keep the fighting on a limited scale.

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Press reports indicate that border fighting continued over the weekend. Chinese broadcasts claim border troops have killed 38 Vietnamese soldiers since the fighting began on 16 April. Reports from Hanoi contain allegations of further Chinese shelling and intrusions of troops into Vietnam.

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Comment: Beijing's improvements in
defenses probably are precautions against a Vietnamese retaliation
for Chinese shelling and border crossings.

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WEST GERMANY-US: Dispute Over Specialty Metals

West German irritation over US legislation restricting the import from Western Europe of specialty metals is prompting consideration of retaliatory measures. []

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A senior official in the Defense Ministry says the Bundestag may impose countermeasures that could prevent the West German armed forces from purchasing an estimated \$10 billion worth of US-made military equipment during the next 10 years. He questioned the value of legislation that risks such a large volume of business for about \$15 million worth of specialty metals formerly sold to the US annually by West German firms. []

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Industry spokesmen, Bundestag deputies, and Defense Ministry officials have attacked the US restrictions as violations of a memorandum of understanding reached in 1978 between the Defense Ministry and the US Department of Defense. They point to the Patriot air defense missile and the Pershing I-b surface-to-surface missile as candidates for retaliation. []

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Additional purchases of TOW antitank missiles and Maverick air-to-surface missiles reportedly also would be vulnerable. The West German Army Inspector General said in February that, in view of the restrictions on buying specialty metals, there was no chance the Army would adopt a US antitank helicopter. []

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Comment: The government's opposition to protectionist measures and its desire to avoid an open dispute with the US make it unlikely that the Bundestag will enact sweeping retaliatory measures. As industry leaders increase pressure on the government to protect their access to the US specialty metals market, however, some purchases from the US may be delayed or canceled as a warning.

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Most West German military officials would prefer US weapons, but many members of the Bundestag have a renewed interest in exclusively European arms cooperation. French industry in particular may try to use US-West German differences to promote Franco-German programs as an alternative to purchases from the US. []

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Dutch Nike Hercules Air Defense Squadrons



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NETHERLANDS-US: Discussions on Defense

Representatives of the Dutch Ministry of Defense will meet with US officials this week to discuss buying the US Patriot surface-to-air missile system. According to the US Embassy, the Dutch will be seeking reactions to proposals outlining military areas in which they would do more in return for US funding of the Patriot purchase. One of the proposals reportedly is modeled on a Patriot acquisition arrangement being discussed between the US and West Germany. The discussions with the Dutch and West Germans are leading up to a meeting of NATO armaments directors planned for May or June to consider Alliance participation in the Patriot program. [redacted]

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Comment: The Dutch plan to deactivate two of their four Nike Hercules air defense squadrons in West Germany by 1984 and replace the remaining squadrons with Patriot units beginning in 1986. They probably will need US assistance on the Patriot purchase to avoid cutting funds from F-16 procurement, ship construction, and other important defense programs. Deactivation of all the Nike Hercules without replacement would create a gap in the NATO air defense system in Central Europe. [redacted]

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AUSTRIA: Socialists Lose Majority

Chancellor Bruno Kreisky has announced that he will resign as Chancellor following his party's failure in the national election yesterday to hold its governing majority. Early totals give the Socialists 90 seats—two short of a parliamentary majority—while the conservative Austrian People's Party will add four to its previous total of 77. The two environmentalist parties failed in their first bids to enter parliament, but the liberal Freedom Party will add one seat to its 11. Confirmation of the final tally is expected tomorrow. [redacted]

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Comment: The troubled state of the economy, the prospect of higher taxes, and Kreisky's age and declining health probably cost the Socialists their majority. A Socialist minority government under Vice Chancellor Sinowatz is possible, but a Socialist-led coalition with the Freedom Party is more probable. Both parties have indicated that an alliance is acceptable, and it should cause only minor compromises on domestic policy. A grand coalition with the Austrian People's Party would cost the Socialists heavily in political compromises and cabinet portfolios. [redacted]

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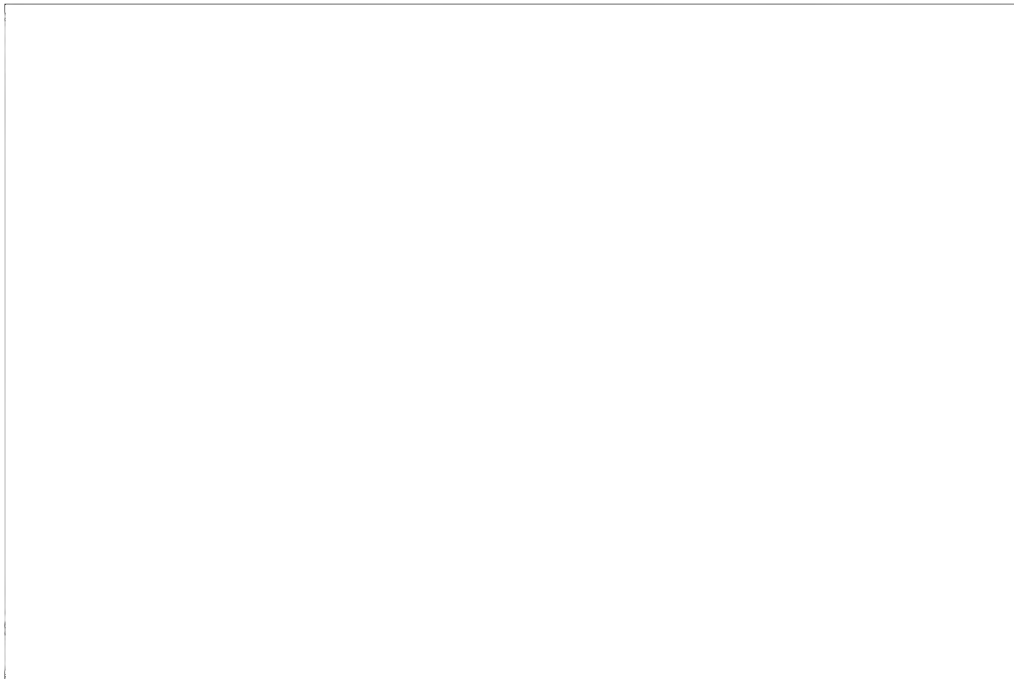
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**ITALY: Anti-INF Groups Join Forces**

The two "peace" groups in Sicily that have been responsible for demonstrations at the prospective INF base there reportedly have agreed to coordinate their activities. In the past there has been more friction than cooperation between the Italian Communist Party-dominated group and the primarily West German and Dutch "peace camp" located near the base. Over the summer the groups plan to carry out nonviolent direct actions against INF deployment and to purchase land for an expanded peace camp. 

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Comment: If the coordination can be maintained, it will help somewhat to promote anti-INF activity. The less aggressive Communist-dominated group, however, tries to avoid tactics that might alienate the public. It probably hopes to restrain the most radical activists and to prevent violence-prone individuals from coming to Sicily. More friction between the groups is likely as they try to overcome popular indifference in Sicily to the INF issue. 



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CANADA-US: Opposition to Missile Testing

Public protests continue against the proposed testing of US air-launched cruise missiles over Canada, but official approval of the tests remains likely. Over the weekend 50,000 demonstrators marched in Vancouver, and 10,000 more gathered in Toronto. Two policemen were injured and six demonstrators arrested in Toronto—the first violence in the Canadian protests. In recent public opinion polls, 52 percent opposed the testing, and Prime Minister Trudeau continues to link Canada's ultimate decision on the tests to the appearance of progress in US-Soviet disarmament negotiations.

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Comment: Canadian officials thus far have successfully defended cruise missile testing as an integral part of Canada's NATO contribution and probably will continue to do so. Nevertheless, Trudeau's Liberal government—currently at its lowest point ever in national opinion polls—probably will see a need to assert publicly that it has not yet committed Canada irrevocably to the missile test proposal.

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ICELAND: Election Stalemate

The absence of a clear winner in the election Saturday makes it unlikely that a strong government capable of attacking economic problems will emerge. The conservative Independence Party failed to gain a governing majority, although it received about 39 percent of the vote to retain the largest number of seats in parliament. The ruling coalition of the Center Party and the leftwing People's Alliance lost four seats, leaving it with a minority in the 60-seat parliament. Two new parties, the Social Democratic Alliance and the Women's List Candidacy, took votes from the established parties by winning four and three seats, respectively.

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Comment: The issues of soaring inflation, a weak currency, and a depressed fishing industry dominated the campaign, and polls had reflected dissatisfaction with the present ineffectual coalition. Fundamental policy differences, however, separate the pro-US Independence Party from its two possible coalition partners, the Progressives and the People's Alliance. Difficult negotiations almost certainly will delay the formation of a coalition, and new elections may be called for this summer with the current government staying on as a caretaker.

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BOLIVIA-CUBA: Dissension Over Diplomatic Ties

President Siles has decided to delay accepting an ambassador from Cuba to prevent a cabinet crisis and avoid jeopardizing future US economic aid. The US Embassy reports Foreign Minister Velarde has offered his resignation, in part because of differences with more radical presidential advisers over the issue. Siles thus far has refused to accept the resignation and has assured the US Ambassador that for now relations with Cuba will remain at the chargé level.

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Comment: Siles wants to avoid a cabinet shakeup at a time when his government is being criticized domestically as weak and inept. Moreover, cabinet changes could undermine his efforts to rebuild the ruling coalition. Nevertheless, the President is likely to continue to favor his more radical advisers. He probably will replace Velarde when relations with Cuba are raised to the ambassadorial level, possibly within the next two or three months.

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Special Analysis

USSR-CHINA: Status of Relations

Moscow and Beijing have taken some substantial steps to ease bilateral tensions and move toward "normalization." In doing so, both apparently hope they also can increase their leverage with the US. Neither the Soviets nor the Chinese, however, appear ready to pay the price for a genuine rapprochement. As a result, they are unlikely to make much progress in the coming months on fundamental issues. Nonetheless, they will continue their bilateral talks. In time, they may initiate serious negotiations over one or more of the major stumbling blocks to improved relations. []

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The USSR and China have moved steadily over the past year to repair some of the damage inflicted on their relationship during the 1960s and 1970s. The most recent steps include the conclusion of an agreement that calls for bilateral trade to increase in 1983 by about 170 percent and reach \$800 million, the highest level since the early 1960s. []

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Moscow and Beijing also have agreed to a limited exchange of students and technical personnel and signed civil air and cross-border trade protocols. Later this year they plan to hold a third round of political consultations in Beijing. []

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Both sides probably see major benefits in the easing of tensions. The Soviets want to concentrate on their economic problems and the military challenge from the US. Beijing wants to direct resources from military purposes to economic modernization. []

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In addition, Moscow probably believes it has checked the erosion of its strategic position in the US-USSR-China triangle. The Soviets may believe that, by easing pressure on China, they have encouraged Beijing to turn away from a close relationship with the US. The Chinese want to put Washington on notice that they are prepared to continue to improve relations with the USSR as Sino-US ties deteriorate. []

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Stalemate on Security Issues

The Soviets and Chinese still appear to be largely talking past each other on the key security issues. Before the second round of their discussions last month, Moscow publicly insisted Beijing

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address the issue of the contested border areas, but the Chinese apparently held back. []

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A Chinese party official has said that at the talks in Moscow the Soviets proposed a nonaggression pact and an agreement on mutual force reductions along the border. The USSR, however, excluded Soviet forces in Mongolia from the deal. []

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The Chinese say they responded by reiterating their preconditions for a normalization of relations—a withdrawal from Afghanistan, an end to Soviet support for Vietnamese military operations in Kampuchea, and a reduction of Soviet forces opposite China, including those in Mongolia. The Chinese also told a third-party [] that for the first time they insisted that the USSR reduce its Asian-based SS-20 missiles as part of a Soviet withdrawal from the border. []

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The atmospherics surrounding the talks and the fact that the two sides are largely keeping quiet about the precise nature of their exchanges suggest both may want to pursue the initiatives that have been proposed. Each side, however, has hardened its public positions on the troop cut issue during the past month or so. []

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Moscow is now arguing that US activities and the prospects of a Japanese military buildup prevent Soviet concessions. Beijing is stressing the need to address the SS-20 redeployment issue. []

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China almost certainly will reject any offer by the USSR on mutual force reductions as long as Soviet forces stationed in Mongolia are excluded. Moscow seems determined to avoid any discussion of third-party issues, including its troops in Mongolia, in the bilateral talks. Although the Soviets could propose a series of parallel agreements between the USSR, China, and Mongolia, Moscow and Beijing would still face major problems in agreeing on troop cuts. []

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Limits on Negotiating

A sudden breakthrough in the talks is unlikely. The most recent Soviet public and private statements suggest the USSR will be satisfied if the "normalization" process extends over several years. The Chinese say they expect the current talks to be a "marathon" and intend to outwait the Soviets. []

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China does not want to alarm Japan or the ASEAN states by moving too quickly toward even a limited detente with the USSR. Beijing is using the talks in part to pose as the spokesman for other Asian governments on the SS-20 issue and on the Kampuchea problem. Current Sino-Vietnamese frictions could put a brake on the

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dialogue, especially if the border clashes increase. Although China used the situation to criticize the USSR for supporting Vietnam, it thus far has limited its military activities so as not to provoke the Soviets.

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Moscow has treated the episode in a restrained manner. A Soviet diplomat in Beijing has commented that China would have to take into account Sino-Soviet relations and the "calm and fruitful atmosphere" of the first two rounds of talks in any consideration of a "second lesson" for Hanoi.

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The commentary in *Izvestiya* on Tuesday suggests Moscow will stand fast for now on the key issues, convinced that the Chinese have moved forward over the past year only because it maintained its opposition to any preconditions for the talks. Signs of strain in Sino-US relations may have strengthened the position of those in Moscow who argue there is no need to move rapidly.

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The USSR's desire to protect its ties with Vietnam and India also argues against any accelerated efforts to end the stalemate with the Chinese. Moreover, General Secretary Andropov's unsettled political position probably would deter him from risking any controversial moves in dealing with Beijing.

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Prospects

The USSR and China almost certainly will resume their consultations—probably in the fall—if only to preserve the dialogue. In the meantime, they are likely to increase cultural and other exchange programs.

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Both sides probably will negotiate long and hard, however, on any matters directly related to their security interests. Nevertheless, some limited agreement this year relating to security issues—possibly on some sort of confidence-building measures or symbolic troop pullbacks along the border—cannot be ruled out.

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